

Message Text

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ACTION EA-10

INFO OCT-01 AF-06 ARA-10 EUR-12 ISO-00 INT-05 GSA-02

AID-05 CIAE-00 COME-00 EB-07 FRB-01 INR-07 NSAE-00

USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02 LAB-04

SIL-01 OMB-01 DODE-00 PA-02 PRS-01 /104 W

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R 102305Z AUG 75

FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 756

INFO AMEMBASSY CANBERRA

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY KINSHASA

AMEMBASSY PARIS

AMEMBASSY SANTIAGO

UNCLAS PORT MORESBY 0781

E.O. 11652: NA

TAGS: EMIN, PP

SUBJ: BOUGAINVILLE COPPER LTD. INCOME PLUMMETS

1. DIRECTORS OF BOUGAINVILLE COPPER LTD. GAVE UNAUDITED FIGURES AUGUST 7 IN THEIR HALF-YEARLY REPORT WHICH SHOWED COMPANY INCOME WAS HALVED IN THE FIRST SIX MONTHS OF 1975 AS COMPARED WITH 1974. NET EARNING OF THE COMPANY DROPPED BY ALMOST THREE-QUARTERS.

2. INCOME IN THE FIRST SIX MONTHS OF LAST YEAR WAS K167,696,000. (K1 EQUALS APPROXIMATELY US\$1.35.) INCOME IN THE FIRST SIX MONTHS OF THIS YEAR WAS K83,790,000. NET EARNINGS FOR THE FIRST SIX MONTHS LAST YEAR WERE K76,135,000 AND ONLY K19,922,000 FOR THE SAME PERIOD THIS YEAR.

3. THE COMPANY PAID K8,697,000 TAX FOR THE 1975 PERIOD AS COMPARED WITH K42,451,000 LAST YEAR.

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4. ACCORDING TO THE REPORT, "A SIGNIFICANT REDUCTION IN COPPER PRICES DURING 1975 FROM THOSE OF 1974 HAS RESULTED IN A SUBSTANTIALLY LOWER RATE OF EARNINGS BY THE COMPANY. IN ADDITION TO THE EFFECT OF LOW COPPER PRICES AND CURRENCY CHANGES, NET SALES REVENUE WAS ALSO AFFECTED ADVERSELY BY A REDUCTION IN SALES VOLUME FROM THAT ACHIEVED LAST YEAR."

5. TAXATION HAS BEEN PROVIDED IN ACCORDANCE WITH THE MODIFICATION TO THE AGREEMENT NEGOTIATED LAST YEAR WHICH PROVIDES FOR LOWER TAXES BASED ON LOWER EARNINGS. COMPANY "COSTS OF SALES, FINANCING AND OTHER COSTS" WHICH ARE TAKEN AWAY FROM THE NET INCOME WAS K40,368,000 THIS YEAR. ABOUT THE SAME AS IN 1974.

6. THE LOWER GRADE OF ORE MINED DURING THE FIRST HALF OF 1975 CONTRIBUTED TO THE LOWER PRODUCTION OF COPPER IN CONCENTRATE. ANOTHER FACTOR WAS THE RIOTING OCCURING IN MAY 1975 RESULTING IN SIX DAYS OF LOST PRODUCTION. THIS LOST TIME, TOGETHER WITH SUBSTANTIALLY HARDER MATERIAL, WAS RESPONSIBLE FOR THE LOWER TONNAGE OF ORE MILLED COMPARED TO 1974. THE AMOUNT OF ORE MILLED DROPPED FROM 15.05 MILLION TONS LAST YEAR TO 14.62 MILLION TONS THIS YEAR. THE AMOUNT OF CONCENTRATE WAS 311,860 DRY TONS COMPARED TO 270,211 DRY TONS PRODUCED IN 1975.

7. COMMENT: BCL HAS DONE REMARKABLY WELL IN A PERIOD WHICH THE GENERAL MANAGER DESCRIBED PRIVATELY AS ONE "SEPARATING THE SHEEP FROM THE GOATS." THE DROP IN REVENUES FOR TAX PURPOSES WILL NOT AFFECT THE GOVERNMENT THIS YEAR SINCE IT WILL WITHDRAW K45 MILLION FROM THE COPPER STABILIZATION FUND. THE CRUNCH WILL COME NEXT YEAR IF COPPER PRICES DO NOT PICK UP. END COMMENT.
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